



**AusCID**

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Mr S Roberts  
Acting General Manager  
Regulatory Affairs Electricity  
Australian Competition and Consumer Commission  
PO Box 1199  
DICKSON ACT 2606

Dear Mr Roberts

### **Review of the Regulatory Test**

The Australian Council for Infrastructure Development (AusCID) appreciates the opportunity to provide comments on the discussion paper "Review of the Regulatory Test". It is not our intention to comment on the more technical detail raised in the discussion paper, in particular the relative merits of the three options put forward, as other stakeholders may be better placed to do so.

As the principal representative of investors in and operators of essential infrastructure in Australia, AusCID is concerned about the adverse impacts that the regulatory test, in its current form, has on investment in transmission capacity in Australia. With its focus on maximising market benefits based on costs alone, the regulatory test hurdle has the potential to deter viable investments that would have otherwise gone ahead.

While in principle we support the view that modifying the regulatory test to include competition benefits would improve the investment climate and allow some much needed transmission projects to proceed, we note that quantifying these competition benefits is highly problematic because of the reliance on assumptions that are potentially inaccurate and subjective.

AusCID believes that any approach to regulating network assets that is based on attempting to simulate future market outcomes is fundamentally flawed and likely to lead to lengthy disputes about the veracity of the underlying assumptions and input data and therefore the investment outcomes driven by regulatory intervention.

We urge the Commission to adopt a regulatory approach that is based on greater reliance on market forces and allows competitive tension to determine the need for interconnection in the longer term.

Yours sincerely

Dennis O'Neill  
Chief Executive Officer